



Understanding Small Enterprises (USE)
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SMEs cooperate to meet social procurement conditions

P.A.T. Oden³⁹

Abstract A growing amount of (semi) public organizations in the Netherlands write tenders with mandatory social conditions. It is important for SMEs to focus on social procurement in their business strategy. SMEs should be proactive and try to affect the conditions (semi) public organizations write in their tenders. On the other hand, (semi) public organizations should facilitate SMEs by developing transparent procurement processes and by organizing information meetings with SMEs. The most important factor for an effective social procurement procedure seems to be the dialogue between SMEs, purchasers and the persons responsible for matching target groups. Because it seems easier for SMEs to meet social procurement conditions if they cooperate with other SMEs and set up labour pools, we performed an exploratory research on the formation of labour pools. The labour pools can be set up by SMEs in the same branch or in a cooperation chain. Our research shows that entrepreneurs require a lot of perseverance in developing a labour pool. It also appears that labour pools without commitment of public authorities are not effective.

1 Introduction

From 2008 the rate of unemployment in the Netherlands increased because of the economic crisis. The rate of unemployment in the Netherlands increased from 3.8 percent in 2008 to 9 percent in the first quarter of 2014. At the beginning of 2014 438,000 unemployment benefits were provided, the highest number ever. In addition, more than 400,000 people received a social assistance benefit.⁴⁰

In order to stimulate employment, the Dutch government develops all kinds of instruments, which might create extra jobs. One of the instruments is socially sustainable public procurement, in short social procurement.⁴¹ In 2011 the national government decided that tenders higher than EUR 200,000 should have the mandatory social condition that enterprises who got the tender should create extra jobs for persons who receive an unemployment or disability benefit and who have a so called distance to the labour market. Because the purchasing volume of the National Government in the Netherlands amounts to more than a billion euros it seems possible to create jobs with this instrument. Because (semi) public organizations are also willing to contribute to stimulate employment, they put mandatory social conditions in their tender calls too.

³⁹ Professor Legal aspects of the labour market, Centre of Applied Labour Market Research, Hanze University of Applied Sciences

⁴⁰ Edzes, Dorenbos & Van Dijk, 2015

⁴¹ In the Netherlands socially sustainable public procurement is called social return, which is the abbreviation for social return on investment (SROI)



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MKB-Nederland Noord, a regional office of the Royal Association MKB-Nederland - the largest entrepreneurs' organization in the Netherlands – noted that small and medium-sized entrepreneurs (SMEs⁴²) in the North of the Netherlands often lack knowledge of meeting the conditions to spend part of the value of the tender on persons with a distance to the labour market. MKB-Nederland Noord stated this might cause an unfair competition of SMEs with large companies, who have more opportunities to meet social conditions in tenders. So MKB-Nederland Noord requested the Centre of Applied Labour Market Research of the Hanze University of Groningen (Hanze UAS) to support SMEs in fulfilling social conditions in public procurement.

Together with professor Louis Polstra MSc. (Labour Participation), also member of the Centre of Applied Labour Market Research, and professor Gert Walhof MBA (Purchasing Management) of the Centre of Applied Research Entrepreneurship, we set up a research project. The research project aimed to develop recommendations for SMEs to improve their knowledge about social procurement and indirectly their competitiveness.

Below we will present the results of this research that was performed in the period between March 2012 and March 2014.⁴³ One of the main conclusions of the research on social procurement was that entrepreneurs argued it would be easier to comply to social conditions in tender calls if they cooperate with other entrepreneurs. One of the entrepreneurs, who participated in the research on social procurement, asked us whether a cooperative was suitable as legal form of a labour pool he wanted to develop. Also, Bouwend Nederland Regio Noord, an association of construction and infrastructure companies, requested us to advise them about the development of a labour pool entrepreneurs were setting-up. We decided to perform a research project on the formation of labour pools by entrepreneurs. We studied the legal aspects of the formation of labour pools as well as the experiences of entrepreneurs with labour pools.⁴⁴

Before a description of the results of the research on social procurement and labour pools can be given we will present an explanation about the regulation of social procurement.

⁴² In this research SME was defined according to the Dutch definition: a company with less than 250 employees, an annual turnover of 50 million euros or less, or a balance sheet total of EUR 43 million or less.

⁴³ See also: Oden & Beukeveld (ed.), 2014

⁴⁴ See also: Oden, Beukeveld & Van der Woude, 2015



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2 Social procurement

2.1 European regulations

In the European Union social procurement is regulated by the 'Procurement Directives'.⁴⁵ Firstly we will describe the main principles of the regulations of the European Union, because these regulations largely determine the policy of social procurement in the Netherlands.

The Procurement Directives give the opportunity to take account of social considerations in tenders, provided they are linked to the subject matter of the contract and are proportionate to its requirements and as long as the principles of value for money and equal access for all EU suppliers are observed. The European Commission describes that social considerations may be applied if they promote, among others:⁴⁶

'(...)

- diversity policies and employment opportunities for persons from disadvantaged groups (e.g. migrant workers, ethnic minorities, religious minorities, people with low educational attainment, etc.);
- promotion of employment opportunities for people with disabilities, including through inclusive and accessible work environments.'

According to the European Commission contract performance clauses are generally the most appropriate stage of the procedure to include social considerations relating to employment and labour conditions of the workers involved in performance of the contract. Sustainability requirements may also be incorporated in the technical specifications of a public tender, in the contract performance conditions and in the award criteria. As stated before, the social dimension must be linked to the subject matter of the contract (meaning the actual supplies, services or works which the contracting authority wants to buy) and comply with all EU rules and principles applicable to technical specifications in public procurement.

Potential bidders are allowed to submit socially responsible variants. The contracting authority can use variants to support social standards by allowing comparison between standard solutions and social options (based on the same standard technical requirements). Companies are free to make offers based either on the standard solution or on the variant, unless indicated otherwise by the contracting authority.

European regulations allow public authorities to organize a dialogue with potential bidders before finalizing the specifications, because this can help to identify opportunities to promote equal opportunities and sustainability. According to the European Commission these discussions can establish the best scope for requirements so that they are commercially viable, by making sensible arrangements for allocating and managing risk. Comparing current services with what is provided

⁴⁵ Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004

coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors and Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

⁴⁶ European Commission, 5, 2010, the following is also largely based on the Guide *Buying Social*



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elsewhere could also help. The European Commission stresses it should be avoided that any particular supplier is put at an advantage.

The contracting authorities cannot limit competition to bidders that already have an office within a certain geographical area. Purchasers are also not permitted to reserve performance of contracts for particular classes of firm, as that would breach the equal treatment requirements of EU law. As an exception, Member States are allowed to grant preferences to enable sheltered workshops⁴⁷ to exist without having to compete with other economic operators. This is allowed because sheltered workshops and sheltered employment programs contribute towards the integration or reintegration of people with disabilities in the labour market, but might not be able to obtain contracts under normal conditions of competition. In 2014 this possibility is extended with social businesses whose main aim is to support the social and professional integration or reintegration of disabled and disadvantaged persons, such as the unemployed, members of disadvantaged minorities or otherwise socially marginalized groups.⁴⁸

In 2014 new regulations were adopted by the European Parliament and the Council of the European Union and enter into force on 18 April 2016.⁴⁹ Member States have to implement the new rules into national law before April 2016.

The new Directives describe that public procurement plays a key role in the Europe 2020 strategy and that it is one of the market-based instruments to be used to achieve smart, sustainable and inclusive growth while ensuring the most efficient use of public funds. Main goals of the Procurement Directives of 2014 are the facilitation of the participation of small and medium-sized enterprises (SMEs) in public procurement and enabling procurers to make better use of public procurement in support of common societal goals. The legislation simplifies public procurement procedures and makes them more flexible. The principles, which determine the policy on social procurement, are clarified.

Now the European regulations are being set out, the Dutch regulations will be clarified.

⁴⁷ In these workplaces most of the employees are handicapped persons. These sheltered workshops have different names in the different Member State. The Directives cover all similar entities (no matter what they are called) provided at least 50 % (in the new Directives 30%) of the staff employed are disabled or disadvantaged persons.

⁴⁸ Directive 2014/24/EU and Directive 2014/25/EU

⁴⁹ The new Directives are: Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts, Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC and Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/18/EC.



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2.2 Social procurement in the Netherlands

In the Netherlands the following organizations are obliged to set out tender calls:

- The national government;
- Municipalities, provinces and water boards;
- Bodies governed by public law (such as universities and schools);
- Special-sector companies (such as water, energy, transport and postal).

European directives prescribe the threshold, above which Member States are obliged to set out a European procurement. Every two years the threshold is determined by the European Union. Procurement Law of the Member States regulates procurements under this threshold. In the Netherlands the Procurement Act 2012 regulates this. In order to implement the new Directives into this law the Dutch government is preparing a legislative proposal. In the proposal it is written that the ambitions of the Dutch Procurement Act 2012 connect with the new European Directives. According to the Dutch government the new Directives may facilitate the implementation of social procurement policy. In particular two procedures, which already were possible, but are now included in the new Directives, namely market consultation and innovation partnership, may contribute to this. Market consultation gives contracting authorities the opportunity to inform entrepreneurs about the procurement plans and requirements before launching a procurement procedure. Innovation partnership gives contracting authorities the possibility to limit the number of candidates invited to submit a tender in order to obtain an innovative product, work or service. The Dutch government also considers the possibility of granting preference to sheltered workshops as well as social businesses is align with the Dutch legislation, which stimulates labour participation of disabled and disadvantaged person.

With regard to social procurement the Dutch government decided in 2011 that tenders above EUR 200,000 should consist of the social condition that enterprises who got the tender should create extra jobs for persons with a distance to the labour market. Next to the national government some provinces and a majority of the municipalities in the Netherlands implemented social procurement. According to TNO, a Dutch independent research organization, in 2010 between 42% and 62% of the municipalities in the Netherlands applied social procurement.⁵⁰ Especially larger municipalities, with 50,000 or more inhabitants, apply this policy. TNO also showed that social procurement is relatively much applied in the sectors caring, landscaping, cleaning and construction. Honours students of the Hanze UAS found that in 2012 in the North of the Netherlands the three provinces, as well as about two-thirds of the municipalities applied social procurement.

⁵⁰ TNO 2010. In this research 90 municipalities were questioned; this concerned the largest municipalities of the 441 municipalities in the Netherlands.



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3 SMEs and social procurement

As described above, in 2011 MKB-Nederland Noord requested us to support SMEs in the North of the Netherlands to fulfill social conditions in public procurement.

The research consisted of five subprojects:

1. A study of best practices in the Netherlands;
2. Development of recommendations;
3. Focus groups of entrepreneurs, purchasers and persons who supply target groups: discussion about the recommendations;
4. Implementation of the recommendations in SMEs and evaluation of the recommendation through interviews and a survey;
5. Roadshow: dissemination of the results of the research.

Three professors, five lecturers and fourteen students carried out (some of) the subprojects. In the following paragraph a brief description of the conducted study will be given including the main results of the five subprojects.

3.1 Best practices of social procurement in the Netherlands

In our research five municipalities in the Netherlands were considered best practices: Amsterdam, De Drechtsteden, Helmond, Maastricht and Rotterdam. Lecturers together with students, who prepared their graduation paper, studied the success factors and failures of these best practices. The students, lecturers and two of the professors had monthly meetings. In these learning communities the students worked on the research design and exchanged experiences about doing research.

The most important results of the study of the best practices:

- SMEs are best served when there is one front office where they can ask all their questions about social procurement.
- A creative formulation of the tender call offers more possibilities to SMEs to meet the mandatory social conditions in tenders.
- In order to get an appropriate formulation of social conditions in tenders it is important to organize a dialogue between SMEs and purchasers before the tender call is set out.
- For a successful implementation of social procurement it is necessary that SMEs, buyers and organizations that supply target groups cooperate.
- Before target groups can be placed on workplaces in SMEs, it is important that they are trained in labour skills.

One of the results is that a creative formulation of the tender would give SMEs more opportunities to get the tender awarded. For instance, it is very difficult for a removal firm to set up a workplace for disabled people. It makes it easier if the company is allowed to give the candidate an administrative job. However, a study on the legal permissibility of social procurement in the Netherlands by two of our legal lecturers showed that the Dutch Procurement Act 2012 prescribes that the social conditions in a tender have to be in a proportionate relation to the subject matter of the contract.⁵¹ In the Netherlands only procurements of very small amounts give the opportunity to be creative in the description of the social conditions. The conclusion must be that because the law does not fully take into account the possibilities SMEs have in their organization to place persons with a distance to the

⁵¹ Hornstra & Werkman-Bouwkamp, 2013



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labour market, it makes it very difficult for them to meet social conditions in tender calls. So the current Dutch law is not supportive of SMEs.

3.2 Development of recommendations

In the second subproject the lecturers and professors formulated recommendations about social procurement on the basis of the information of the best practice research. The recommendations were not only aimed at SMEs, but we also developed recommendations for purchasers and for persons who supply the target groups.

For each category we developed three core recommendations:⁵²

SMEs:

1. Public procurement could be interesting for you as SME and then social procurement is automatically included.
2. Make sure you have influence on the decision making process about social procurement;
3. Make arrangements in your organization in order to be able to apply social procurement.

Purchasers:

1. Social procurement is part of the strategic policy of your organization. Make sure this strategic policy is applied and carried out by all organization levels.
2. Develop a purchasing policy in which social procurement is included transparently.
3. Make sure to be transparent and consistent in the application of social procurement policy.

People who supply target groups:

1. Make sure to be transparent and consistent in the placement of target groups and give priority to unburdening SMEs.

3.3 Focus groups

In the third subproject of the research we presented the recommendations to SMEs, purchasers and persons who supply target groups. The first focus group meeting we organized was with SMEs, the second one was with purchasers and persons who supply targets groups and finally we invited SMEs as well as purchasers and persons who supply targets groups. The information we got from the focus groups confirmed and strengthened the recommendations we had formulated.

Other results from the focus groups are:

- SMEs came to the understanding that there are different target groups, which can be deployed: not only unemployed, but also disabled people and even apprentices.
- SMEs came to the understanding that they could choose target groups, which match best with the tasks in their organization.
- SMEs stated procurement is a time-consuming activity and they experience it as an extra burden if social conditions are included in tenders. SMEs got the idea they could cooperate and thus increase their chances in a tender call. For example, a removal firm, a painting firm and a cleaning firm discovered they could create chain cooperation in order to meet the social conditions more easily.
- Purchasers came to the understanding they can formulate criteria in tender calls, which stimulate SMEs to promote themselves with social procurement and thus be invited.

⁵² This paper is not suitable for a full description of the sub recommendations. For a full description see: Oden & Beukeveld, 2014.



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- During the last focus group meeting, where all participants of the research met, a mutual understanding arose between the SMEs, the purchasers and the persons who supply targets groups. This showed that dialogue is crucial in a social procurement process in which SMEs can really participate.

3.4 Implementation and evaluation

During the research the following five stages in a tender process were differentiated:

1. Pre-phase before the tender takes place: SMEs should promote themselves in the market. The business operations of SMEs are decisive.
2. Preparation phase: formulation of the tender documents.
3. Contracting phase.
4. Implementation phase.
5. Monitoring phase.

The results of the best practices and focus groups show that the contracting phase is not the most problematic for SMEs during the procurement process. Once SMEs are invited to join the procurement process they are able to make proper arrangements. The other stages are more problematic.

Public authorities often do not pay special attention to SMEs (phase 1). As a result, the formulation of social conditions in tenders is such that SMEs cannot meet those conditions (phase 2). In order to avoid these problems and to improve the competitiveness of SMEs with 10 – 50 employees the best practices and the focus groups showed that it is important for SMEs to proactively influence both the pre-phase as well as the preparation phase. It is also important contracting authorities invite SMEs for information meetings in the pre-phase. In these meetings the contracting authorities can show in what way social procurement could be feasible for SMEs. Also SMEs can show in what way they can meet the social procurement conditions. Another advantage of these meetings is that SMEs get the opportunity to meet other companies with which they can start cooperation, which makes it easier to meet the conditions of social procurement.

With regard to the implementation phase and the monitoring phase the research shows that companies often do not stick to the agreements, which derive from the tender. On the other hand the authorities do not always check whether the agreements are fulfilled or not; nor do they apply sanctions.

To study the processes of social procurement we implemented the recommendations in five SMEs. Because the research shows that the pre-phase and the preparation phase (stage 1 and 2) are important, in this part of the research we concentrated on the successes and failures in these phases.

Firstly, lecturers, in the role of consultants, implemented the recommendations. Secondly, other lecturers interviewed representatives of the SME about their experiences with the recommendations. After a few months the representatives were interviewed again.



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The results of the interviews gave a confirmation of the results of the focus groups. Important results were:

- To fulfil social procurement conditions it is attractive for SMEs to cooperate in a chain.
- It is important to unburden SMEs with regard to the costs and guidance of the target groups.
- Cooperation and coordination of the contract authorities, SMEs and the persons who supply target groups: the triangle of these three groups turned out to be crucial for the success of the implementation of social procurement.

In order to get information about the contracting phase we set out a survey. Although, the response was only eight percent the results of this survey gave a confirmation of the former results.

3.5 Roadshow: dissemination of the results of the research

At the end of the project we made a fan-shaped leaflet with the recommendations, which were the result of our research. We used those leaflets to disseminate the recommendations among other SMEs than the participants in the research. We requested a graduate student of Hanze UAS to study how we could disseminate the recommendations in the best way possible. This graduate research showed that SMEs could best be approached during meetings they were already visiting.

We decided to join the Week of Entrepreneurs of MKB-Nederland, which was in Groningen in October 2013. We dispersed the leaflet among the attendees and advised SMEs about social procurement. Also, one of the professors, a lecturer and an entrepreneur gave an interview about the recommendations through a google-hangout movie, which was made by MKB-Nederland. We also presented the research at a meeting of a local business association.

The recommendations and the publications of the research were presented on Internet and linked with the websites of organizations, such as MKB-Nederland Noord, the Procurement Platform Groningen, the Association of Dutch Municipalities and several purchasing advisory organizations.

3.6 A negative effect of social procurement: crowding out

In our research we noticed that social procurement could lead to the following unwanted situations. A municipality decided that unemployed people should realize the transportation of disabled children and set out a tender call in which this was one of the mandatory conditions. They decided that a company was awarded the procurement if it could fulfill this condition. However, this caused that employees of the company, who were responsible for transportation up to this point, were fired. Even employees who just had a job in this company as a bus driver and were very happy with their job, after years of unemployment. For a long time they had received social benefits and now they had to turn to the Social Benefit Office again. This negative consequence of social procurement also occurred in a tender call of a municipality, which concerned mail delivery. Because of this tender the mail deliverers of a company were fired and unemployed people were hired. So the instrument of social procurement caused crowding out of employees.

We requested TNO to do research on the crowding out effect of social procurement and offer strategies to prevent crowding out. The exploratory research of Andriessen and Brouwer does not show whether crowding out actually takes place, but they do give some evidence for crowding out because of social procurement.⁵³ According to some interviewees crowding out occurs in smaller companies and in certain sectors, such as construction and infrastructure, healthcare, catering and

⁵³ Andriessen & Brouwer, 2014



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cleaning. This is not surprising because these are sectors in which social procurement is applied most frequently. In this research it appears that crowding out often occurs if there is not a long term placement of employees and in situations where employees lose their job and others have to be hired because of mandatory social conditions in tenders (in the Netherlands this is called a revolving door situation).

The research of Andriessen and Brouwer shows that social procurement candidates sometimes crowd out former employees who were placed on a project of a former social procurement. In this case the contract of the former employee is not extended, because the employer is forced by the tender call to place another candidate on a project.

One has to conclude that if conditions in social procurement cause that companies have to fire employees in order to get new employees these conditions in social procurement are unjust, especially if it concerns short-term projects. Andriessen and Brouwer show that in short-term projects all persons concerned in the social procurement experience disadvantages. The crowded out employees lose their jobs. But also people, who had a social benefit and get a job for a short time, because of the awarded tender, lose their job after the project is over and fall back in social benefit situation again. These persons get some work experience. But the question is whether this policy really improves their position on the labour market. The employees will most likely not be trained in the short time in which they are employed. Lastly, the concerning companies experience negative consequences too, because they have to let skilled employees go and have to introduce new employees only for a short period. This has a negative effect on the productivity and the profitability of the companies.

Andriessen and Brouwer conclude in their exploratory research that communication is crucial in preventing crowding out. (Semi) public authorities should give entrepreneurs the opportunity to give insight in the consequences for their company if they have to meet social conditions in tenders. If entrepreneurs have to let employees go, in order to meet the social conditions, because they have to hire other employees, such conditions should not be part of the tender call. Entrepreneurs should try to influence contractors and try to get support for alternatives, if necessary through branch associations. Andriessen and Brouwer advise public authorities to have a flexible attitude towards the way entrepreneurs might fulfill the social conditions in tenders.

3.7 Conclusion of research on social procurement

The research project on social procurement showed that a growing amount of (semi) public organizations in the Netherlands formulate tenders with mandatory social conditions. In our research we stress that it is important for SMEs to focus on social procurement in their business strategy and that they should be proactive and try to affect the conditions public and semipublic organizations formulate in their tenders. On the other hand we recommend (semi) public organizations to facilitate SMEs by developing transparent procurement processes and by organizing information meetings with SMEs. The dialogue between SMEs, procurers and the persons who supply target groups appears to be the most important factor for an effective social procurement procedure.

The research also shows that SMEs experienced procurement as a time-consuming activity. They have to provide a lot of information and still are not sure the tenders will be awarded. They experience it as an extra burden that social conditions are included in tenders. SMEs said it would be easier for them to meet social procurement conditions if they cooperate with other SMEs and by setting up labour pools, for instance in the same branch or in a cooperation chain.



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4 Labour pools of SMEs

During the research on social procurement some of the participants as well as the manager of the Northern regional office of Bouwend Nederland Regio Noord contacted us about starting cooperation by SMEs. Together with these partners we decided to develop a research project on labour pools set-up by entrepreneurs.

We performed an exploratory research, which consisted of two parts:

1. Legal study: a desk research on the legal aspects of the formation of labour pools by entrepreneurs and on the legal status of the employees in the labour pool;
2. Social science study: interviews with entrepreneurs and key figures of different labour pools about their experiences in practice.

We selected seven practices of collaborating entrepreneurs in the Netherlands. Four of these concerned labour pools that already were founded. We interviewed nine key figures about their experiences with setting up a labour pool. Most of these labour pools had the legal form of a foundation. Because one of the entrepreneur requested us if we could advise him about labour pools in the form of a cooperative, we also examined this legal form. However, in practice there appeared to be no labour pool that had the form of a cooperative. In order to get some information about the practices of a cooperative, we examined a workers' cooperative that aims at stimulating employment, as well as an entrepreneurs' cooperative that aims at providing credits and stimulating employment in the region.

4.1 Legal aspects of labour pools

A labour pool can be created by a number of collaborating entrepreneurs who are willing to place qualified employees or apprentices on projects that come out of tenders with mandatory social conditions. The research shows that entrepreneurs prefer to set up a labour pool in the legal form of a foundation.

An advantage of a foundation is that it has no members, so the board can act instantly. Also, a foundation is easily accessible for companies to join. However, a foundation has no profit that can be distributed among those who are affiliated with the foundation. Another disadvantage of the foundation is that the affiliated entrepreneurs cannot join the formal decision-making. Because of this there is less involvement and affiliated partners can withdraw if they wish to. If too many companies withdraw, the continuity within the labour pool can be at risk, because the affiliated companies have to provide the work (experience) places. If the labour pool cannot provide workplaces the potential employees end up in a social benefit situation again, which is contrary to the aim of a labour pool.

The cooperative has a few benefits compared to the foundation. A cooperative can make profit and let members benefit from it. Labour pools may use the profit for insurances, training and pension for the employees (in an employers' cooperative) and for the members (in a workers' cooperative). With the profits also setbacks can be financed in periods with less projects where workers can be placed on. The members are free to join the cooperative and to terminate their membership. This may affect the capital of the cooperative. Because the members are bound by the rules within the cooperative it is possible to regulate under what conditions members are allowed to terminate their membership. In this way the continuation of work (experience) places is guaranteed. Members of a cooperative have control over the exploitation and operations of the cooperative. All members have an equal say in the



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cooperative. In an employer's cooperative, the companies have a say; in a workers' cooperative, the employees have a say. Cooperatives are highly democratic and there is a strong involvement of the members. However, in a large cooperative the involvement of the members and the internal democracy appears to be low. Another disadvantage of a cooperative is that in principal the members can (by law) be held liable for deficits.

4.2 Labour pools in practice: experiences of entrepreneurs

Setting up a labour pool requires considerable efforts from individual entrepreneurs. As we have seen in our research on social procurement SMEs think it is important to join forces. Yet, the research on experiences of entrepreneurs with labour pools shows that it takes a lot of time and persuasion to bind entrepreneurs to the labour pool. So the creation of a labour pool requires a lot of endurance of entrepreneurs in addition to the business operations of their own company. Setting up a labour pool requires a leading company. Also a well-known company may inspire and stimulate other entrepreneurs to join the labour pool.

4.2.1 Purpose of a labour pool

For the participants in this research the aim of setting up a labour pool firstly is to provide continuity in the work (experience) places. The entrepreneurs want the employees be properly guided and they want to provide them sustainable workplaces. By cooperation they think that continuity might be guaranteed. By joining a labour pool which aims at training skills and which delivers experienced employees they also expect they will be better prepared for the future labour shortage, due to ageing. They also join the labour pool because they want to have a partnership that can serve as a link towards the municipality. A labour pool makes it easier to have contact with the municipality in an early stage. In this way entrepreneurs may have influence on the matching of the potential employees with the work.

4.2.2 Role of the municipality

The research shows that a good connection with municipalities is crucial for the success of the labour pool. If only employers participate in the labour pool it is not easy to connect with municipalities. Also for the continuity of work in the labour pool the municipality is an important link. The labor pool is dependent of the work (experience) places at the affiliated companies. Because of this, labour pools also depend on awarded tenders. By having an early insight into the planning of procurement, companies may be better prepared. It is therefore important that municipalities are transparent in the planning of their calls for tenders. If municipalities are members of the labour pool it is easier to make good arrangements about this.



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4.2.3 Employees in the labour pool

The municipality preselects the employees in the labour pool. However, the research shows that the preselection is not always successful. Entrepreneurs state that too often they get candidates who do not have the appropriate competences. They have the experience of mismatches between the candidates and the work. They would like to have access themselves into the files of the municipalities, because they know what they want and think they can make a better match between the candidate and the work.

In order to get a better matching it appears crucial that there is commitment of municipalities with the labour pool. The research shows that if municipalities were involved in labour pool the matching went better.

The employers pay a certain rate to the labour pool. In that rate the salary and the costs of training and supervision of the employees are taken into account.

The workers are employed in the labour pool on the basis of a regular employment contract. On the basis of this they can be posted at the affiliated companies. The company at which the employee is posted has to pay the salary.

Apprentices who follow training on the job can also be placed in a labour pool. In this case, the contract of employment is connected with the training on the job.

The labour pool is the official employer of the employee and of the apprentice. The labour pool often performs the guidance and management. The guidance is mainly focused on technical skills. Sometimes benefit recipients lack employee skills. Entrepreneurs state that they prefer employees who already possess labour skills, such as being on time.

4.2.4 Labour pool as a means to meet the Participation Act

On 1 January 2015 the Participation Act came into force in the Netherlands. This act put together the Dutch regulations on the benefits of unemployed people and disabled people. There is now one law for people with working capacity. The Participation Act is the result of the agreement between the Dutch cabinet, the employers' representatives and the workers' representatives. Also part of the agreements is the regulation that companies have to hire a certain number of disabled persons. The parties agreed that in 2026 125 000 disabled persons should have a job in regular work places. This agreement is being monitored. If at the end of 2016 companies do not have created enough jobs for disabled people a quota is being implemented. The quota implies that companies with more than 25 employees must hire a certain percentage of disabled employees otherwise they are risking a fine.

For entrepreneurs who are willing to be prepared for the new law it is profitable to join a labour pool. In the counting of the jobs with regard to the Participation Act, jobs in labour pools also count. Because these jobs count, joining a labour pool increases the opportunities for employers to comply with the Participation Act and prevent they get a fine. However, our research shows that entrepreneurs hardly take this new law into account.



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4.2.5 Conditions for success of labour pools

The conditions for a successful labour pool are:

1. Commitment of companies that offer work:

Labour pools can only offer sufficient jobs if entrepreneurs are committed to the labour pool. It is crucial that entrepreneurs offer workplaces on which they can put employees out of the labour pool. In this way in the long run they have qualified employees who match with the work and who possess employee skills.

2. Commitment of municipalities:

The cooperation and commitment of municipalities are of a big support to the goals of the labour pool. Municipalities can inform the affiliated entrepreneurs in an early stage about tenders. This way, entrepreneurs can be prepared on the oncoming projects and the municipality can match the qualified employees at the right moment.

Experts on the inclusive labour market confirmed the results of our study. Especially the difficulties entrepreneurs face in cooperation with municipalities were emphasized. In addition to our research it is indicated that labour pools can function well for people with an unemployment benefit, but the question is whether the labour pool also functions for people with disabilities, especially those with a mental limitation. It may be difficult to handle for them if they are being placed in several organizations.

4.3 Conclusion of research on labour pools

This exploratory research shows that SMEs are willing to set up labour pools in order to develop sustainable labour for target groups who have a distance to the labour market. The aim is to let target groups rotate in a labour pool on projects, which emanate from social procurements. Our research shows SMEs require a lot of perseverance in developing a labour pool. It also appears that SMEs want to develop labour pools without the help of public authorities. However, it seems that labour pools without commitment of public authorities are not effective.



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5 Instruments that create new jobs

In our research we have seen that Dutch government as well as municipalities and other (semi) public authorities try to create jobs by more or less forcing entrepreneurs to create extra workplaces. Entrepreneurs, especially those who want to undertake social responsibility decide to cooperate and set up a labour pool. Our research shows that they do this because they want to contribute to regional employment and offer employees a sustainable working relationship.

However, in practice it turns out to be difficult to meet the needs of entrepreneurs and to get the right person at the right workplace. At a meeting in the framework of our research entrepreneurs said the matching of candidates must be improved in order to get social procurement working. On the other hand representatives of the municipalities said that entrepreneurs are not always specific in their needs. It turned out to be difficult to bring together the different cultures of entrepreneurs on the one side and (semi) public authorities on the other side.

The question remains whether it is effective to force entrepreneurs to include certain groups in their organization. The current Dutch Government thinks it is and forces entrepreneurs to create workplaces for disabled persons. Without attention to the needs of employers regarding the matching of the candidates and the guidance of them, it may be expected that this policy will not succeed.

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